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Director of
Central
Intelligence

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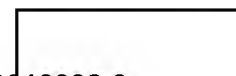


National Intelligence Daily (Cable)

1 February 1979

ARMY and DOS review(s) completed.

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National Intelligence Daily (Cable) (U)

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SITUATION REPORTS

IRAN

The possibility of violent anti-American incidents remains high in the currently charged atmosphere. In the past few days, some of the soldiers guarding the US Embassy in Tehran have been openly hostile to Americans, and Americans have been attacked in Tehran and Esfahan.

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//Moderate opposition leaders and the military held further talks yesterday on the fragile security arrangements for Khomeini. The moderates are continuing to urge Khomeini to avoid directly challenging the government and not to call upon his followers to confront the Army immediately. If Khomeini ignores their advice, he could force an immediate showdown with Prime Minister Bakhtiar and enhance the likelihood of a military move.//

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//Alternatively, if Khomeini is willing at least initially to settle for the adulation of the crowds, he could defuse the potential for violence. At least one leader of the Liberation Movement of Iran believes the Ayatollah will consult with them before confronting the government.//

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BRIEFS AND COMMENTS

USSR - SAUDI ARABIA: Bid for Ties

The Soviets have signaled to Saudi Arabia their interest in exchanging diplomatic representatives as soon as possible. The Soviets have long been eager to re-establish their diplomatic presence in Saudi Arabia but the Saudis heretofore have rebuffed them.

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Yesterday's issue of *Literary Gazette*--a vehicle for trial balloons--contains a long and sympathetic account of the policies of King Khalid and Crown Prince Fahd and emphasizes that the USSR and Saudi Arabia had never had any "irreconcilable" conflicts. The article was written by a well-known Soviet Arab expert and is pitched to Saudi disenchantment with the Camp David accords.

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Since the October 1973 Arab-Israeli war, the Soviets have unofficially or indirectly approached all of the conservative Persian Gulf states about the possibility of establishing diplomatic relations. In the past, both the Syrians and the Iraqis have offered to act as mediators between Riyadh and Moscow to effect a renewal of diplomatic ties. Previous Soviet approaches to the Saudis particularly after the assassination of King Faysal in 1975 and after Egyptian President Sadat's trip to Israel in 1977, have led to a series of Saudi official denials regarding restoration of ties.

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ALGERIA: New President

Algeria's only political party, the National Liberation Front, yesterday nominated little-known Col. Chadley Bendjedid, Second Military Region Commander and acting defense chief, to succeed the late President Boumediene. He was also elected Secretary General of the Front. Bendjedid's presidential mandate will be confirmed on 7 February in an uncontested general election. He clearly does not inherit Boumediene's unchallenged authority, however, and a power struggle is likely to continue until he or someone else establishes dominance.

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Bendjedid, in his late 40s, has administered the Oran Military Region since 1964 as a semi-independent power base. He had personal and political differences with Boumediene who, on several occasions, unsuccessfully moved to curb Bendjedid. Press characterization of Bendjedid as a moderate cannot be confirmed on the basis of available information.

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The nominee probably was a compromise choice of Algeria's key power brokers, the eight-man National Council of the Revolution, and other leading Army officers. The party congress that began on Saturday disbanded the Council, but its members are expected to continue to play major roles in the newly formed party political bureau. The bureau institutionalizes a coalition of key figures and may develop into the principal decisionmaking body. Under Bendjedid, the regime will probably return to rule by consensus. The transition may be accompanied by infighting among the leadership over distribution of power.

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The absence of a leader with unchallenged authority should inhibit new departures in policy and encourage continuation of the course set by Boumediene. At least initially, the new regime will probably be less active in foreign affairs; it may show greater flexibility on the Western Sahara dispute with Morocco. It will continue to sell as much oil and natural gas as possible to finance Algeria's ambitious development program.

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CHINA: Population Limitation

The Chinese have announced that population growth rates in 1978 were less than 1 percent in eight provinces and three cities that contain nearly half of the country's population. The leadership, however, is evidently still dissatisfied with the rate of decline in the national birth rate and with the failure of some provinces and rural areas to meet population limitation goals. A recent Communist Party directive authorizes for the first time material incentives to encourage one-child families.

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The limitation plan, endorsed by Chairman Hua Guofeng (Hua Kuo-feng) at the Fifth National People's Congress, calls for two-child families and reductions in the growth rate to 1 percent by the end of 1980 and to 0.9 percent by 1985. Shanghai already claims a birth rate of only 0.6 percent, and both Beijing (Peking) and Tianjin (Tientsin) claim rates under 1 percent. On the other hand, Guangdong (Kwangtung) Province has publicly admitted to an increased birth rate, and other provinces are acknowledging inadequate decreases.

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The new central directive, signed by Vice Premier Deng Xiaoping (Teng Hsiao-ping), orders provincial and local governments to reward families that agree to have just one child. The city of Lanzhou (Lanchow) is making sizable cash awards to those Chinese who accept sterilization after having one child. Guangdong Province is offering preferential job assignments, waivers of educational and medical fees, and adult grain rations to single children. By offering these incentives, the Chinese apparently hope to remove one of the most significant obstacles to the population limitation program--the rural system of agricultural distribution, under which grain and profits are provided according to the amount of work done rather than need, and which in the long term makes it profitable for rural couples to produce numerous male children.

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MBFR: Resumption of Talks

//The Mutual and Balanced Force Reduction talks resume today in Vienna with little prospect of a break in the East-West deadlock.// [REDACTED]

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//The present difficulty arises from differences over the two sides' data on military strengths in Central Europe. The Soviets and their allies last June accepted the Western principle of putting a "common ceiling" on NATO and Warsaw Pact manpower, but they submitted data showing the troop strength of the two sides to be nearly equal. NATO estimates that the Pact has more than 150,000 more ground force personnel in Central Europe than does NATO. Thus, using Eastern figures, both sides would make nearly equal reductions to reach a common ceiling, while Western figures would require a significantly larger reduction by the Pact.// [REDACTED]

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//During the last round, the Soviet side indicated that it would like to move beyond the current preoccupation with data. It appears to be concerned that NATO may be reconsidering its proposal to withdraw some US tactical nuclear weapons in exchange for a reduction in Soviet tanks--the so-called Option III package. The East, however, has also made it clear that any new initiatives on its part will be contingent on a Western response to the East's proposal of June.// [REDACTED]

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//The West Europeans are highly impatient with the talks. If the discussions do not get moving, some of the West Europeans might look more favorably on alternative arms control forums, such as the French proposal for a European disarmament conference.// [REDACTED]

[REDACTED]

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USSR: Forgery Campaign

A sophisticated forgery of a US Army document, "Field Manual 30-31B," has recently received worldwide press attention. The forgery attempts to prove US support of terrorist organizations and operations against various governments. Methods used to produce and distribute the forgery closely follow established Soviet patterns, and the publicizing of it was orchestrated at least in part by the USSR and its allies. [REDACTED]

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The bogus manual first came to the attention of the press in 1975 and 1976, but it had little impact. Since last September, when the forgery appeared in the Spanish press, coverage has spread to more than a dozen countries, including the US. [REDACTED]

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The author of an article on the forgery published last October in the Netherlands also had tried to prove the veracity of a 1976 anti-US forgery that we suspect originated with the USSR. Coverage of the forged manual by the Japanese Communist press, TASS, and the Soviet-produced *World Marxist Review* have followed the theme that the manual is "proof" of US involvement in the assassination of Italian Christian Democratic leader Aldo Moro. [REDACTED]

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The USSR was probably behind other forgeries designed to discredit the US in recent years. In the 1960s the Soviets used a forgery campaign in an attempt to prove that Peace Corps volunteers were part of an intelligence apparatus directed against the host countries. In 1976, a counterfeit State Department document cited US intelligence requirements against friendly countries. A forged Defense Department document also listed collection requirements against friendly countries. [REDACTED]

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USSR-CHINA: Reaction to Deng's Visit

Authoritative Soviet media have yet to comment on the visit of Chinese Vice Premier Deng Xiaoping (Teng Hsiao-ping) to the US and probably will not offer any comment until the USSR assesses the results of the visit. The Soviets have reported the event, expressed concern about China's efforts to sour Soviet relations with the US, and sought to portray the Sino-US rapprochement as damaging the interests of various countries or groups of countries. The Soviets have also published the President's reported warning to China against "any steps" against Vietnam. The absence of any significant coverage on Deng's visit thus far is in keeping with the USSR's media treatment of past Sino-US meetings.

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INDIA-CHINA: Foreign Minister's Visit

25X1 //Indian Foreign Minister Vajpayee will visit China between 12 and 19 February, according to an Indian announcement yesterday. Vajpayee had to postpone a visit scheduled for last fall because of illness. The visit should be a significant step toward improved bilateral relations. The small size of the delegation that reportedly will accompany Vajpayee indicates that detailed discussions of the longstanding Sino-Indian border controversy are unlikely.

ALBANIA-ITALY: Oil Exploration

25X1 //The Italian National Petroleum Agency will send a team of officials to Tirana in March to discuss off-shore oil exploration with the Albanians. The move follows a visit by the Italian Foreign Trade Minister to Albania earlier this year. Albania's annual oil production averages about 40,000 barrels per day. With its current need to increase trade with the West, Albania apparently is trying to develop a new source of export revenue.//

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ROMANIA: Leadership Shakeup

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//The Romanian Government yesterday announced leadership changes in a number of economic ministries. The shifts, similar to those carried out last March, are probably intended in part to help implement measures aimed at increasing economic efficiency. A meeting of the Central Committee called for today is likely to produce additional personnel changes, this time in the party leadership.//

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